WLERO REFINING COMPANY-CALIFORNIA

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August 11, 2003

Mr. William Norton, Executive Officer/Air Pollution Control Officer Bay Area Air Quality Management District 939 Ellis Street San Francisco, CA 94109

Attn: Ms. Brenda Cabral

Permit Services Division

Re: Valero Refining Company - California

Benicia Asphalt Plant (Plant No. B3193) Comments on Draft Title V Permit

Dear Ms. Cabral:

Enclosed are Valero's comments on the proposed Major Facility Review ("Title V") Permit for Valero Refining's Benicia Asphalt Plant (Application No. 17468, Plant No. B3193). Our comments are based on a review of the draft Title V permit which was released by the District on June 27, 2003 for a 45-day public comment period and concurrent EPA review. Valero understands that this public comment period closes on August 11, 2003.

Valero appreciates the District's consideration of the written comments submitted to the District on September 6, 2002. Valero has conducted a similar, comprehensive review of this latest draft of the Title V permit and is submitting additional comments to further improve the quality and accuracy of the draft permit. Valero's comments on the draft permit are provided in seven sections (Attachments A through G) to facilitate the District's review and analysis. In addition, Valero has reviewed the Statement of Basis for the draft permit and included comments to the Basis in Attachment A.

Most of Valero's comments are given in Attachments A and B. These attachments are organized as "rationale" tables which provide a line-by-line explanation of each proposed change. Many of the proposed changes are administrative in nature,

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including corrections to typographical errors, corrections to ensure consistency of regulatory requirements between Section IV (Applicable Requirements), Section VI (Permit Conditions), Section VII (Monitoring Requirements) and Section IX (Permit Shield), changes to federal enforceability of District regulations including Regulation 8 Rule 5 and Regulation 9 Rule 10. Valero has also identified several substantive changes to the draft permit as discussed below:

- Western States Petroleum Association (WSPA), a petroleum industry trade association of which Valero Refining is a member, has submitted major concerns about proposed new permit conditions for each facility which formalize the District's April 10, 2003 revisions to the June 23, 2000 guidance document concerning "NOx, CO, and O2 Monitoring Compliance with Regulation 9 Rule 10" (i.e., the "NOx box"). Valero specifically endorses and submits the WSPA comments on its own behalf as well. WSPA's comment to the District's proposed permit conditions are included in Attachment E. Valero's comments specific to the District's proposed Conditions #19329 and #20617 in the Asphalt Plant permit are given in Attachment F. Both Attachments E and F should be reviewed concurrently to better understand our concerns with the proposed NOx permit conditions.
- The Light Gas Oil (LGO) Stripper, S-32, no longer exists and has been physically removed from the Asphalt Plant. Therefore, all references to S-32 have been deleted from the draft permit, as described in Attachments A and B.
- Valero recommends that the originally-proposed language for Condition # 1240, Part I.16a, specifying process conditions for conducting a semi-annual source test on S-19 vacuum heater be retained at the "highest duty possible for the prevailing process conditions". As now proposed, the draft language requires that the source test be conducted at "a minimum of 85% of the maximum capacity of 40 MMBtu/hr (34 to 40 MMBtu/hr)". Since the process duty for this heater is normally about 30 MMBtu/hr, it will be operationally difficult and inefficient to adjust process conditions and substantially increase fired duty for the sole purpose of conducting the semi-annual source tests.
- Valero has proposed changing the term "refinery" to "asphalt plant" many times
 throughout the permit to clearly distinguish the Valero Asphalt Plant from the
 Valero Refinery. This proposed change is especially important to clarify that
 Condition # 1240 Part III.3, refers to the fuel gas system at the asphalt plant
 rather than the fuel gas system at the main refinery.

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Finally, ownership of the four crude tanks at the Asphalt Plant has been transferred from Valero Refining Company - California to Valero Logistics Operations, L.P. ("Valero Logistics or Valero LP"). Valero understands that the District intends to issue to Valero Logistics Operations a new, independent Permit to Operate and Title V permit for these tanks and that these same tanks will be concurrently deleted from the Permit to Operate and Title V permit for the Asphalt Plant.

Valero appreciates the opportunity to comment on the draft Title V permit for the Valero Benicia Asphalt Plant for the mutual benefit of the public, government agencies and Valero. If you have any questions on Valero's comments, please contact Mr. Eric R. Hengst, Principal Environmental Engineer, at (707) 745-7385.

Sincerely,

VALERO REFINING COMPANY - CALIFORNIA

Environmental Manager, Benicia Refinery

Attachments

Mr. Steve Hill - Permit Services, BAAQMD cc (w/o attachments):

cc (w/ attachments): Mr. Eric Hengst - Valero